

AFRICA RISK CONSULTING**Ghana Monthly Briefing January 2024**

Ghana Summary 12 January 2024

New election polls indicate that former president John Mahama (2012-2017) and the opposition National Democratic Congress (NDC) are leading the ruling New Patriotic Party (NPP) and its candidate, vice president Mahamudu Bawumia ahead of the 7 December election. Inflation falls for a fifth successive month from 26.4% in November to 23.2% in December and leads to increased expectations that the Bank of Ghana (central bank) will soon cut interest rates. The government resumes debt restructuring negotiations with its external creditors to restructure \$4.5 billion worth of debt. Ghana experiences power cuts after the state failed to pay a gas supplier on time leading to fears that the country could return to the rolling blackouts. Intercommunal clashes between agrarian and pastoralist communities in Oti region highlight Ghana's challenge with ethnically motivated violence.

Latest poll indicates opposition are election favourites

The latest polling survey by the Accra-based research firm **Global InfoAnalytics** indicates that 53.2% of likely voters intend to vote for former president **John Mahama** (2012-2017) in the upcoming 7 December election.¹ This is the first time that Mahama has polled above the 50% point and illustrates a marked increase in support from the firm's October poll in which 48.3% of respondents voiced support for Mahama (see *ARC Briefing Ghana Dec 2023*). Mahama is trailed by vice president **Mahamudu Bawumia** – the ruling **New Patriotic Party (NPP)** candidate – who is currently polling at 29.6% (up from 28% in October). Former trade minister **Alan Kyerematen** is placed third with only 7.7% of likely voters expressing a desire to support him.

As it stands, Mahama and his **National Democratic Congress (NDC)** party are the current favourites to win the 7 December election. The Global InfoAnalytics poll further suggests that the NDC is on track to win control of **Parliament** in the legislative election, also set for 7 December, as the opposition party is currently backed by 52% of likely voters to the NPP's 31%.

These latest poll findings confirm that Ghanaians remain frustrated with the current government and plan President **Nana Akufo-Addo's** (2017-present) administration for the country's ongoing economic challenges. An estimated 68% of surveyed Ghanaians believe the country is heading in the wrong direction which has created a difficult electoral environment for the ruling party to compete. Bawumia is also clearly struggling to distance himself from the government and Ghana's ongoing economic issues. The vice president is also struggling against the fact that Ghanaians frequently tire of their ruling party; as such, no political party has managed to remain in power for more than eight years since 1992. Bawumia is attempting to break this trend under particularly difficult conditions.

However, it must be noted that the latest Global InfoAnalytics survey did include some positive indicators for the NPP and Bawumia. Specifically, the percentage of Ghanaians with a negative outlook declined slightly from 70% in October and Bawumia's support also increased by a percentage point. While these are minor positives they do indicate that the NPP can shift the electorate's opinion before the December election. This will be impacted by two major parties' slates of candidates. Ghana has a constituency-based legislature, and as such, each election is heavily influenced by the strength of the candidates themselves and not just the party

¹ 3News, 4 Jan 2024

It should also be acknowledged that the NPP's effort to retain power will be dependent on the government's ability to accelerate Ghana's economic turnaround. As the incumbent party, NPP's political future is inextricably linked to this recovery.

Ghana inflation falls for a fifth consecutive month

Indicative of this ongoing recovery, government statistician **Samuel Kobina Annim** revealed on 10 January, that Ghana's main annual inflation rate fell by 3.2% from 26.4% in November to 23.2% in December.² This marks the fifth consecutive monthly decline in the annual inflation rate and marks a sharp decline from the 12-month-high of 53.6% recorded in January 2023. The continued decline in inflation has raised hopes that the central bank, the **Bank of Ghana**, will consider cutting interest rates at its next **Monetary Policy Committee (MPC)** meeting at the end of January. Ghana's main monetary policy rate is currently at 30%. This high rate is succeeding in addressing inflation but does risk causing long-term economic harm through the suppression of investment and consumer spending.

These current monetary policy conditions were likely major contributors to Ghana's economy slowing in the third quarter (Q3) of 2023. Annim announced on 20 December that quarter three (Q3) growth fell to 2% of GDP measured year-on-year compared with 3.2% in Q2.³ The combination of high inflation and interest rates is suppressing economic growth in the country. Accordingly, the **World Bank** is predicting that Ghana will only grow by 2.8% of GDP in 2024.⁴ This is insufficient to reverse the recent economic damage and improve employment rates. Such sluggish economic growth is a major contributor to the aforementioned negative perceptions about the country's future among potential voters.

Talks resume with official external creditors

Any chance that Ghana's economy will meet expectations is dependent on the government securing a debt restructuring agreement with its external creditors. Ghana's external debt burden is currently estimated to be around \$29.4 billion, more than half of its estimated \$51 billion in total public debt.⁵ Ghana has already succeeded in securing wide-ranging debt restructuring agreements with its domestic creditors, largely through its **Domestic Debt Exchange Programme (DDEP)**. However, the country's external creditors have been more resistant to reaching such an agreement. Ghana resumed talks with its official creditors on 8 January in an effort to secure an agreement to restructure around \$4.5 billion worth of debt.⁶

The **International Monetary Fund (IMF)** stated on 9 January, that it is optimistic that an agreement will soon be reached between the government and the creditors. It is believed that the holders of Ghana's **Eurobonds** are the most resistant of these creditors to a restructuring agreement given the losses they will incur. As such, Ghana will likely need to offer favourable terms to these creditors to restructure these bonds.

Securing a debt restructuring agreement will ease pressure on Ghana's budget and enable the state more fiscal flexibility with which to attend to the country's other challenges. In addition, securing such an agreement will lead to the IMF releasing the second \$600m tranche payment from its **Extended Credit Facility (ECF)** arrangement with Ghana. This would inject much-needed liquidity into the state and help ensure that Ghana continues to be able to fund its daily operations and ongoing reform agenda.

Electricity supply challenges worsen

² PeaceFM, 10 Jan 2024

³ CNBC Africa, 20 Dec 2023

⁴ My Joy Online, 11 Jan 2024

⁵ Citi Newsroom, 26 Nov 2023

⁶ Reuters, 10 Jan 2024

Even as Ghana's government is optimistic about securing a debt restructuring agreement, it faced a renewed economic challenge with the onset of deepening power cuts in the country. Ghana was forced to implement power cuts on 9 January leading to fears that the frequent power cuts locally referred to as 'Dumsor' had returned.⁷

The government denied that Dumsor power cuts had returned claiming that the power outages were a result of payment issues with the **West Africa Gas Pipeline Company (WAGPCo)** leading to a reduction in gas supplies to power plants.⁸ Officials released a statement that this issue had been resolved and that gas supplies had been restored. It appears that the government failed to meet the initial deadline to settle its arrears with WAGPCo leading to supplies to Ghana being temporarily cut off. However, the opposition NDC has rejected the government's assertion and declared that Dumsor is back. The NDC's position is unsurprising given that the stabilisation of the electricity supply was among the key successes of the Akufo-Addo administration.

The situation has underscored the vulnerability of Ghana's electricity supplies. The country is under severe fiscal strain at present and the possibility that the state may fail to make payment to WAGPCo or one of the country's private power producers cannot be discounted. The threat of such a development occurring is currently elevated given that Ghana has not yet received the next IMF ECF tranche payment.

The NPP can ill-afford for such instances to occur. Power outages are among the most visible signs of governance failure and have a clear negative impact on voters. If the NPP is to have any hope of remaining competitive in the 2024 election it needs to ensure that the basic functions of the state run smoothly.

Ethnic violence remains a concern

Another of Ghana's persistent concerns is the continued threat of ethnically-motivated violence. This was highlighted by the clashes between agrarian and pastoralist communities in **Kparekpare (Oti Region)** on 5 January.⁹ This incident occurred when youths from the local farming community attacked local **Fulani** herders injuring several people and razing multiple houses. This attack was reportedly motivated by the youth's opposition to the pastoralists welcoming more Fulani herders to the area. These latter herders arrived in Kparekpare after fleeing similar violence in the **Volta Region**.

Local farmers were opposed to the increase in the number of herders due to fears that it would increase competition for land and water resources in the area. Such conflicts between agrarian and pastoralist communities occur frequently across **West Africa**, including Ghana, and frequently centre on disputes around land and water resources. The situation in Kparekpare remains tense and there is a possibility of further clashes and reciprocal attacks.

Intercommunal violence is arguably Ghana's most serious security concern. In recent years, this violence has been fuelled less by competition for grazing and water resources as was the case in Kparekpare but more by control of traditional leadership positions. Chieftaincy disputes have become increasingly common and frequently led to clashes between rival groups. This is best illustrated in the town of **Bawku (Upper East Region)** where the dispute between the **Mamprusi** and **Kusasi** ethnic groups has resulted in the rapid deterioration of the security environment in recent years.

There is a legitimate concern that such intercommunal tensions will be exacerbated in 2024 ahead of the 7 December elections as national and local politicians may seek to exploit these differences to galvanise support.

Planner

⁷ 3News, 10 Jan 2023.

⁸ Graphic, 11 Jan 2023

⁹ Modern Ghana, 7 Jan 2023

8–24 Mar 2024 **Accra (Ghana)** Africa Games;
7 Dec 2024 **(Ghana)** General election.

Chronology

10 Jan 2024 **Accra (Ghana)** *Citi Newsroom*. The **Ghana Private Road Transport Union (GPRTU)** confirms its decision to implement a 60% fare increase in 2024 to adapt to the government's planned emissions levy;

9 Jan 2024 **Accra (Ghana)** *3News*. Education minister **Yaw Osei Adutwum** expresses a willingness to be vice president **Mahamudu Bawumia**'s running mate in the upcoming presidential election;

8 Jan 2024 **Accra (Ghana)** *Graphic*. Attorney-General **Godfred Yeboah Dame** rejects calls to review the country's 1992 constitution;

7 Jan 2024 **Accra (Ghana)** *Graphic*. Businessman **Nana Kwame Bediako** announces that he is the heretofore unknown leader of the **New Force** political party;

7 Jan 2024 **Accra (Ghana)** *Citi Newsroom*. At least 50 shops are destroyed by a fire in the **Dome market** in the **Greater Accra Region**;

6 Jan 2024 **Accra (Ghana)** *Ghana Business News*. Smallholder farmers in the **Nabdam** and **Talensi** districts of the **Upper East Region** complain to officials about elephants destroying their crops;

4 Jan 2024 **Accra (Ghana)** *Ghana Today*. Presidency dismisses rumours that President **Nana Akufo-Addo** is planning on making politically motivated changes to the **Ghana Armed Forces** leadership;

4 Jan 2024 **Accra (Ghana)** *Ghana Today*. President **Nana Akufo-Addo** swears three new supreme court judges into office;

2 Jan 2024 **Accra (Ghana)** *3News*. President **Nana Akufo-Addo** appoints global audit firm **KPMG** to investigate a contract between the **Ghana Revenue Authority (GRA)** and an Accra-based service provider, **Strategic Mobilisation Limited (SML)**;

27 Dec 2023 **Accra (Ghana)** *Andalou Agency*. The **Ukrainian** embassy in Accra begins operating enhancing relations between the two countries;

27 Dec 2023 **Loagri (Ghana)** *Citi Newsroom*. At least ten people are injured during clashes between police and a vigilante mob over a suspected thief;

23 Dec 2023 **Accra (Ghana)** *Citi Newsroom*. Parliament passes the **2023 Appropriation Bill** ensuring that the government will be able to fund its operations in 2024;

23 Dec 2023 **Accra (Ghana)** *Peace FM*. Parliament passes the five key tax bills, namely, the **Value Added Tax (Amendment) Bill, 2023, Excise Duty (Amendment) (No. 2) Bill, 2023, Stamp Duty (Amendment) Bill, 2023 Emissions Levy Bill, 2023** and **Exemptions (Amendment) Bill, 2023**;

11 Dec 2023 **Accra (Ghana)** *Graphic*. **Germany** donates a new mechatronic training centre to the **Ghana Armed Forces (GAF) Electrical and Mechanical Engineers Technical Training School (EMETTS)**;

7 Dec 2023 **Accra (Ghana)** *Graphic*. **Chinese** state-owned defence firm **Poly Technologies Incorporated** donates **Multiple Launch Rocket System (MLRS)** to the GAF.

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